



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

m 1041/012

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

September 17, 2002

CR-7099-3400-0016-8895-4920

Luana Crane, Loan Officer  
Utah Independent Bank  
P.O. Box 09  
Salina, Utah 84654

Re: Authorization to Release Letters of Credit, Western Clay Company, Last Chance Mine (M/015/061) and Bentonite Pit (M/041/012), Emery and Sevier Counties, Utah

Dear Ms. Crane:

On September 6, 2002, we were advised by Brad Boyter, President of Western Clay Company ("WCC") that WCC was replacing the \$51,800 Letter of Credit \_\_\_\_\_ for their Last Chance Mine and the \$96,900 Letter of Credit \_\_\_\_\_ for their Bentonite Pit, with replacement Letters of Credit ("LOC") issued by Zions First National Bank, Moab Branch.

On September 11, 2002, new replacement LOC's were received from Zions Bank. Before these LOC's can become effective, Utah Independent Bank's current LOC's must be released in order to transfer the existing collateral, thus securing the new LOC's. Therefore, this letter grants formal authorization to Utah Independent Bank to cancel and release said Letters of Credit, thereby allowing transfer of the current collateral to Zions Bank.

Please send us written confirmation that these transactions have been accomplished. Enclosed are the original LOC's that you will need to formally cancel and return to WCC. If you have any questions or concerns regarding this letter, please contact D. Wayne Hedberg at (801) 538-5286, or Joelle Burns at 538-5291. Thank you for your cooperation and assistance in this matter.

Sincerely,

for Lowell P. Braxton  
Director

Division of Oil, Gas and Mining

jb

Enclosures: (2) original UIB LOC's

cc: Brad Boyter, Western Clay

Bob Miller, Zions Bank

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M/041/012

P.O. Box 09 / 55 South State Salina, Utah 84654 Phone (435) 529-7459 Fax (435) 529-7884

Letter of Credit No. \_\_\_\_\_

Date: October 19, 2001

**RECEIVED**

**OCT 23 2001**

**DIVISION OF  
OIL, GAS AND MINING**

UTAH DIVISION OF OIL, GAS AND MINING  
1594 West North Temple, Suite 1210  
Box 145801  
Salt Lake City, UT 84114-5801

and

School and Institutional Trust Lands Administration  
675 East 500 South, Suite 500  
Salt Lake City, UT 84102

Gentlemen and Ladies:

1. Utah Independent Bank, (Surety), of Salina, Utah, hereby establishes this irrevocable letter of credit (Letter of Credit) in favor of the Utah Division of Oil, Gas and Mining (Division) for itself and as agent for the School and Institutional Trust Lands Administration (Beneficiaries) for an aggregate amount not to exceed \$67300.00, in United States dollars (Face Amount) effectively immediately.

2. This Letter of Credit will expire upon the first event set forth as follows: (a) 5:00 o'clock p.m. (Salt Lake City time), on October 20, 2002 or (b) the date upon which sufficient documents are executed by the Division to release Western Clay Company, Inc. (Operator) from further liability for reclamation of the Bentonite Pits, M/041/012 with notice to Bank or Surety by the Division accompanied by the original Letter of Credit with directions for cancellation.

3. This Letter of Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless the Surety gives notice to the Division 90 days prior to the expiration date that the Surety elects not to renew the Letter of Credit.

4. Funds under the Letter of Credit are available against the Division's sight draft, in the form on Exhibit A, specifying Letter of credit No. \_\_\_\_\_ delivered to the office of the Surety, 55 South State Street, Salina, Utah 84654. At the Division's sole election, the Division may present sight drafts for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.

5. If the Surety receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination of this Letter of Credit, the Surety will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following the Surety's receipt of the sight draft and certificate and in such a manner as the Division may specify.

6. The Surety will give prompt notice to the Operator and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Surety, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Surety's charter or license to do business.

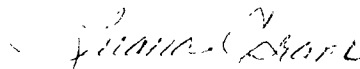
7. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1993 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time (UCP). In the event of a conflict between Utah law and the UCP, Utah law shall govern.

8. All communications regarding this Letter of Credit will be addresses to the Surety 55 South State Street, P. O. Box 9, Salina, Utah 84654, referencing Letter of Credit No.

Very truly yours,

Utah Independent Bank  
Surety

By: Luana Crane

A handwritten signature in black ink, appearing to read "Luana Crane", is written over a horizontal line.

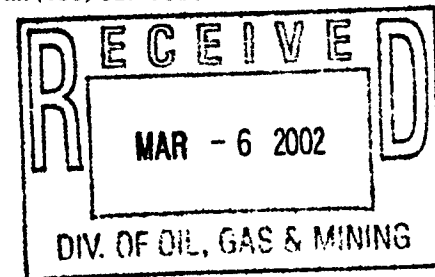
Title: Loan Officer





P.O. Box 09 / 55 South State Salina, Utah 84654 Phone (435) 529-7459 Fax (435) 529-7884

September 12, 2002



**Irrevocable Letter of Credit number \_\_\_\_\_  
AMENDMENT**

State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
P. O. Box 145801  
Salt Lake City, UT 84114-5801

School and Institutional Trust Lands  
Administration  
675 East 500 North, Suite 500  
Salt Lake City, UT 84102

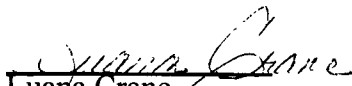
RE: Letter of Credit dated October 19, 2001  
Mine: Bentonite Pits, M/041/012  
Amount: \$67300.00

Utah Independent Bank has received a request from **WESTERN CLAY CO., INC., P. O. BOX 127, AURORA, UTAH 84620** to amend the above referenced Irrevocable Letter of Credit number 25177025, issued in your favor as follows:

1. Letter of Credit number \_\_\_\_\_ will change to as \_\_\_\_\_
2. The principal amount of the above mentioned Irrevocable Letter of Credit will be increased to **\$96900.00**.
3. The maturity date will change to February 25, 2003.

All other conditions will remain the same.

Sincerely,

  
Luana Crane  
Loan Officer